

**BILL #** SB 1569

**TITLE:** school teachers; minimum salary

**SPONSOR:** O'Halleran

**STATUS:** As Introduced

**PREPARED BY:** Steve Schimpp

## **FISCAL ANALYSIS**

### **Description**

The bill would establish a minimum base salary of \$35,000 per year for full-time equivalent (FTE) teachers employed by a school district. It also would require a base salary increase of at least 2% for school district certificated teachers who already make \$35,000 or more per year and for all other school district employees. The bill stipulates that new funding provided under the bill "shall supplement and not supplant any compensation increases previously negotiated and shall be in addition to other raises that are customarily provided to teachers and school employees from school district discretionary monies, including inflationary increases as mandated by law or that result from student growth and teacher compensation increases pursuant to A.R.S. § 15-977 [the Classroom Site Fund statute]." The bill includes an unspecified appropriation to pay for these changes.

### **Estimated Impact**

The bill is estimated to increase General Fund costs by approximately \$81 million in FY 2008 (*see Table 1*). This estimate makes the following assumptions: 1) minimum teacher salary monies would be allocated through an ad hoc adjustment to Basic State Aid funding, rather than through a "base level" (per pupil formula) increase, since some districts would not qualify for those monies and all districts benefit from "base level" increases; 2) charter schools would not receive "minimum teacher salary" monies because that portion of the bill pertains to school districts only; 3) charter schools *would* receive increases in "base level" funding (for 2% salary increases) under the bill, since the Basic State Aid formula uses the same "base level" for both districts and charters; 4) school districts and charter schools would self-fund increases in Employee Related Expenditures (ERE) (such as for FICA and state retirement system contributions) resulting from the additional 2% salary increases; and 5) the cost of the bill would be above and beyond the 2% inflator cost included in the JLBC Baseline.

The Arizona Department of Education (ADE) does not have a cost estimate for this proposal. ADE, however, provided substantial assistance in this analysis through data queries and input regarding the nature and limitations of currently available school salary data.

### **Analysis**

The bill would increase state costs by requiring: 1) a minimum salary of \$35,000 per school district teacher, 2) a 2% salary increase for school district teachers currently making \$35,000+ annually, and 3) a 2% salary increase for all other school district personnel. The estimated cost of each of these components is shown in *Table 1*.

#### Minimum Teacher Salary

The minimum teacher salary estimate of \$20 million in *Table 1* was derived using ADE "School District Employee Report" (SDER) data for FY 2007. SDER data are self-reported by school districts and include for each employee a position code and salary amount. (ADE primarily uses SDER data to compute the "Teacher Experience Index" for each school district pursuant to A.R.S. § 15-941.) Using FY 2007 SDER data, the JLBC Staff estimates that approximately 10,000 FTE teachers currently make less than \$35,000 per year and on average would need a \$2,000 raise in FY 2008 in order to reach the required \$35,000 salary threshold. The estimated cost for this portion of the bill, therefore, is approximately \$20 million (10,000 teachers X \$2,000 average required increase = \$20 million).

The \$20 million estimate is approximate due to inconsistencies in the self-reported SDER data, which make it unfeasible to generate more precise cost estimates for this aspect of the bill. These inconsistencies primarily pertain to whether districts include in their SDER data monies generated by the Proposition 301 Classroom Site Fund (A.R.S. § 15-977) and from the "Teacher Compensation" increase authorized in A.R.S. § 15-962. The \$35,000 "base salary" threshold in the bill is intended

<b>Table 1</b>	
<b>Estimated Fiscal Impact of SB 1569</b>	
<b>Minimum Teacher Salary</b>	
FTE Teachers Making < \$35,000	10,000
Average Increase Required	<u>X \$2,000</u>
Cost of Minimum Teacher Salary	<b>\$20,000,000</b>
<b>Increase for Other Teachers (2%)</b>	
FTE Teachers Making < \$35,000	43,000
Average Increase Required	<u>X \$930</u>
Cost of 2% Increase	<b>\$40,000,000</b>
<b>Increase for Non-Teachers (2%)</b>	
Base Salaries of Non-Teachers	\$850,000,000
2% Multiplier	<u>X 2%</u>
Cost of 2% Increase	<b>\$17,000,000</b>
<b>Charter School Increase</b>	
Base Level increase	<b>\$5,700,000</b>
<b>Total Increase</b>	<b>\$82,700,000</b>
<b>Local Share</b> (non state aid districts only)	<b>\$1,700,000</b>
<b>Net State Cost</b>	<b>\$81,000,000</b>

to be exclusive of “non-base” pay, such as Proposition 301 “performance pay.” Reporting inconsistencies, however, do not allow SDER data to definitively identify whether the “base pay” of individual teachers is currently below \$35,000.

In addition, some districts’ SDER data report minimum teacher salaries that were lower than the lowest starting salaries reported in their corresponding Arizona Education Association (AEA) salary survey for the year (possibly because of inconsistent treatment of Proposition 301 and “Teacher Compensation” monies in those 2 reports, as described above). In such cases, this analysis assumes that their minimum salaries for FY 2007 were as reported in the AEA salary survey. ADE indicates that it would crosscheck SDER and AEA salary survey data in this manner in implementing the bill if it were to become law.

#### Increase for Other Teachers

The bill would require a 2% salary increase for all teachers currently making \$35,000+ per year. Using FY 2007 SDER data, the JLBC Staff estimates that approximately 43,000 FTE teachers in school districts would be affected by this provision and would be entitled to increases averaging \$930 per teacher under the bill. The total cost for this portion of the bill therefore would be approximately \$40 million (43,000 teachers X \$930 ≈ \$40 million).

#### Increase for Non-Teachers

The bill also would require a 2% salary increase for all *non-teaching* personnel in school districts. The SDER provides salary data for teachers only. In order to estimate the statewide salary total for all *non-teaching* personnel, this analysis subtracted SDER-reported salaries for all school district teachers statewide from estimated grand total salary costs for *all* school district employees (teachers & non-teachers alike) for FY 2007. The latter number assumed a 5% increase in grand total statewide salaries for all school employees above the level reported by school districts collectively for FY 2006 in the Annual Report of the Superintendent of Public Instruction for that year (latest report available). This resulted in an estimated salary base of approximately \$850 million for all school district non-teaching personnel for FY 2007. A 2% base salary increase for these employees, therefore, would increase school district costs by approximately \$17 million in FY 2008 (\$850 million X 2% = \$17 million).

#### Charter School Increase

This analysis assumes that charter schools would not qualify for “minimum teacher salary” monies under the bill, but *would* qualify for its additional “base level” funding (since the Basic State Aid formula uses the same statutory “base level” to fund

both districts and charters). Under the assumptions described above, the bill would require an additional “base level” increase of about \$42 per pupil for FY 2008 above the JLBC Baseline. This would increase charter school Basic State Aid by an estimated \$5.7 million under the current Basic State Aid formula.

#### Net State Cost

The 4 components of the bill combined would increase public school funding by an estimated \$82.7 million in FY 2008 above the JLBC Baseline (*see Table 1*). Virtually all of this cost would be paid by the state, since “local share” monies from the K-12 Qualifying Tax Rate (QTR) are used up first under the formula and typically are totally spent to fund ongoing formula costs each year. Non-state aid districts, however, would fund their own costs under the bill, which are estimated at \$1.7 million. This would result in an estimated net state cost of **\$81 million** for FY 2008 (*see Table 1*).

#### **Local Government Impact**

School districts and charter schools collectively would receive additional funding estimated at \$82.7 million under the bill for FY 2008. This would include an estimated \$81 million in state funding and \$1.7 million in increased local property tax (QTR) funding. School district and charter school costs potentially could increase by more than \$82.7 million under the bill because of higher ERE costs associated with its mandated salary increases.

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